



Strategic Plan FY 2006-2009

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INTRODUCTION: PURPOSE AND METHODOLOGY

Over the years, PERSI has demonstrated a clear commitment to customer satisfaction and quality service delivery. PERSI staff members in all business areas are dedicated to serving members and employers to the best of their abilities and have shown a sincere interest in seeing PERSI succeed and grow. The organization as a whole has a history of looking for ways to keep up with or even surpass innovative trends in the industry.

In June 2003, as required annually, PERSI developed and submitted our Strategic Plan for FY2004 –2007. That plan was based in part on 2002 survey data performed by *Cost Effectiveness Measurements, Inc.* (CEM) and input from our Executive Staff. Since that plan was submitted, PERSI has also completed a comprehensive Member Survey and Employer Survey, and will continue at regular intervals. In addition, in July 2003, PERSI began a multi-phase Business Process Reengineering project. The first two phases of that project are complete: a series of strategic planning workshops with Executive Staff and a business operations assessment identifying recommended service and operations improvements. PERSI is currently undergoing a significant reorganization of three customer focused line of business areas. Service areas involved are those that work with active members including the handling of disability, divorce, and death cases; retired members, and employers.

As a result of the strategic planning portion of the project, PERSI has redesigned our FY2005-2008 Strategic Plan. The plan submitted here builds on our previous plan, but includes information from our new surveys as well as information developed during our strategic planning workshops. In addition to goals and strategies for achieving those goals, PERSI also included targets and timelines that will assist us in more comprehensive performance modeling. This Strategic Plan is also in the process of being linked to a comprehensive balanced scorecard that we will use moving forward to monitor our success against the goals in this Strategic Plan. Engaging in this process, PERSI has adopted the following strategic planning and performance monitoring model:





The planning and success monitoring process will be an on-going loop with PERSI's mission at its core. The loop begins with strategic planning and proceeds to setting performance goals, budgeting for implementing the plans, managing the operations, and measuring the performance of all the steps and their overall impact on the goals of the organization. By developing a continuous strategic planning-to-performance measurement process, we hope to generate operational data for use in managing resources more efficiently and effectively, which will assist in meeting the ever-growing demands of our customers.

This plan is divided into three sections: Background, Analysis, and Goals for the Future. The Background section provides historical and organizational information about PERSI. It also addresses external factors or trends that may affect the goals and objectives that PERSI has put forth in this document.

The Analysis section provides a summary of the work PERSI accomplished to develop this Strategic Plan. This section offers an overview of the critical issues facing PERSI, recent organization-wide survey results, and analysis from the outside performance management vendor (CEM). In addition, PERSI provides the results of its internal Stakeholders Analysis and Strengths / Challenges / Opportunities / Threats Analysis conducted by PERSI Executive Staff. Finally, the Goals for the Future section lays out our goals and strategies for implementing the actions described in this plan, in each of the following areas: Customer Service, Education, Technology, Benefits/Plan Enhancements, and Administration and Support. This section provides a high-level summary of these goals. The corresponding strategies, measurements and performance targets and reporting sources for each goal is provided in the Appendix. Because performance measurement is key to monitoring the success of this plan, this process is formalized through the use of the Balanced Scorecard tool. PERSI Executive Staff has developed the PERSI Balanced Scorecard and it is included in this section.

MISSION / VALUES / FIDUCIARY STATEMENT

As illustrated in the strategic planning and performance monitoring model provided above, the PERSI Mission is at the core of this Strategic Plan and all of PERSI's goals for the future. The PERSI Mission, Core Values and Fiduciary Duty of Loyalty below drive all PERSI operations and service delivery. Each of these is a critical element of this Strategic Plan.

PERSI Mission

"To provide our members and their beneficiaries with reliable, secure, long-term retirement, survivor and disability benefits as specified by law."

"To provide our members with, high-quality information and education so that they may make sound financial planning decisions incorporating their PERSI Base and Choice Plans as the foundation for a financially rewarding retirement."

"To, above all, provide friendly, accurate and timely customer service to all our members."

PERSI Core Values

"In our interactions with employers, members, internal staff and oversight agencies; in the tasks and activities we undertake; indeed, in everything we do, PERSI is guided by a set of core values and beliefs:

*Our fiduciary duty always comes first
We treat everyone fairly, consistently, and with respect
We exist to serve PERSI members
Service starts with a smile
Every action we take is aboveboard and open to scrutiny
We are committed to making PERSI a fun and rewarding place to work
We are a team; for any one to succeed, all must succeed."*

PERSI Fiduciary Duty of Loyalty

"The primary duty of the Retirement Board and PERSI staff, as fiduciaries, is that of loyalty, or acting with an "eye single" to the interests of the beneficiaries.

PERSI is required by law to make all its decisions solely in the interest of the beneficiaries and to avoid, at all costs, serving the interests of any other party not a beneficiary of the system."



BACKGROUND

Historical Overview

The Public Employee Retirement System of Idaho (PERSI) was created in 1963 by the Idaho Legislature with funding effective July 1, 1965. Since that time, PERSI has provided a Defined Benefit (DB) plan designed to provide secure, long-term retirement benefits for career public service employees.

In 1995, PERSI took over as plan administrator for a 401(k) program, and began offering it to employees of the state of Idaho as a supplement to the DB plan. A fundamental change occurred in April 2000, when PERSI received a “private letter ruling” from the Internal Revenue Service granting us authorization to expand the 401(k) to all PERSI employers and members. In 2000, the 401(k) was used as the basis for a Gain Sharing Defined Contribution (DC) plan and the establishment of the new PERSI Choice Plan by the Legislature. Gain Sharing and the Choice Plan were significant changes to the benefit plan that will have a positive effect on the retirement benefits of the PERSI membership many years into the future.

PERSI activities positively affect the lives of all Idaho citizens. The system's members and beneficiaries receive direct benefits through retirement, disability, and death benefit programs. Taxpayers indirectly benefit because state and local governments may attract and retain a quality public workforce and because public service retirees are providing for their own retirement rather than depending on public welfare programs.

Organization and Governance

Retirement Board

PERSI is directed by a five-member Retirement Board. Individuals on the Board are appointed by the Governor of the State of Idaho for terms lasting five years. These appointments are subject to Senate confirmation. State law requires that two members of the Board be active PERSI members with at least ten years of service.

The current Board includes:

Jody B. Olson, Chairman	Term expires July 1, 2007
Clifford T. Hayes	Term expires July 1, 2009
Jeff Cilek	Term expires July 1, 2010
J. Kirk Sullivan	Term expires July 1, 2006
Pamela I. Ahrens	Term expires July 1, 2008



The Retirement Board generally meets the fourth Tuesday of every month at PERSI's Boise office. The Board is responsible for the following:

- Overseeing the fund's investment activities. This includes hiring investment managers and setting the asset allocation and funding policy
- Reviewing and adopting actuarial assumptions
- Overseeing PERSI's administrative activities (including approving PERSI's annual budget)
- Approving proposed legislation
- Reviewing annual Cost of Living Adjustments for retirees
- Setting contribution rates and the regular interest rate

The Retirement Board does not have the authority to approve changes to PERSI's benefit structure. The Board does have the authority to set contribution rates needed to fund the system and to set regular interest rates. The Idaho Legislature, as Plan Sponsor of PERSI, is responsible for determining the system's benefit structure. They alone may pass legislation to change retirement benefits.

The Board may, however, submit legislation to facilitate the administration of the plan, to address problems with existing statutes, or to enable better customer service. PERSI's Board and staff provide any information and technical support required for the legislature to vote on legislation. The Board would, however, as a part of its responsibility to the system's members, oppose any proposed legislation that would weaken the retirement system financially or structurally.

PERSI Staff

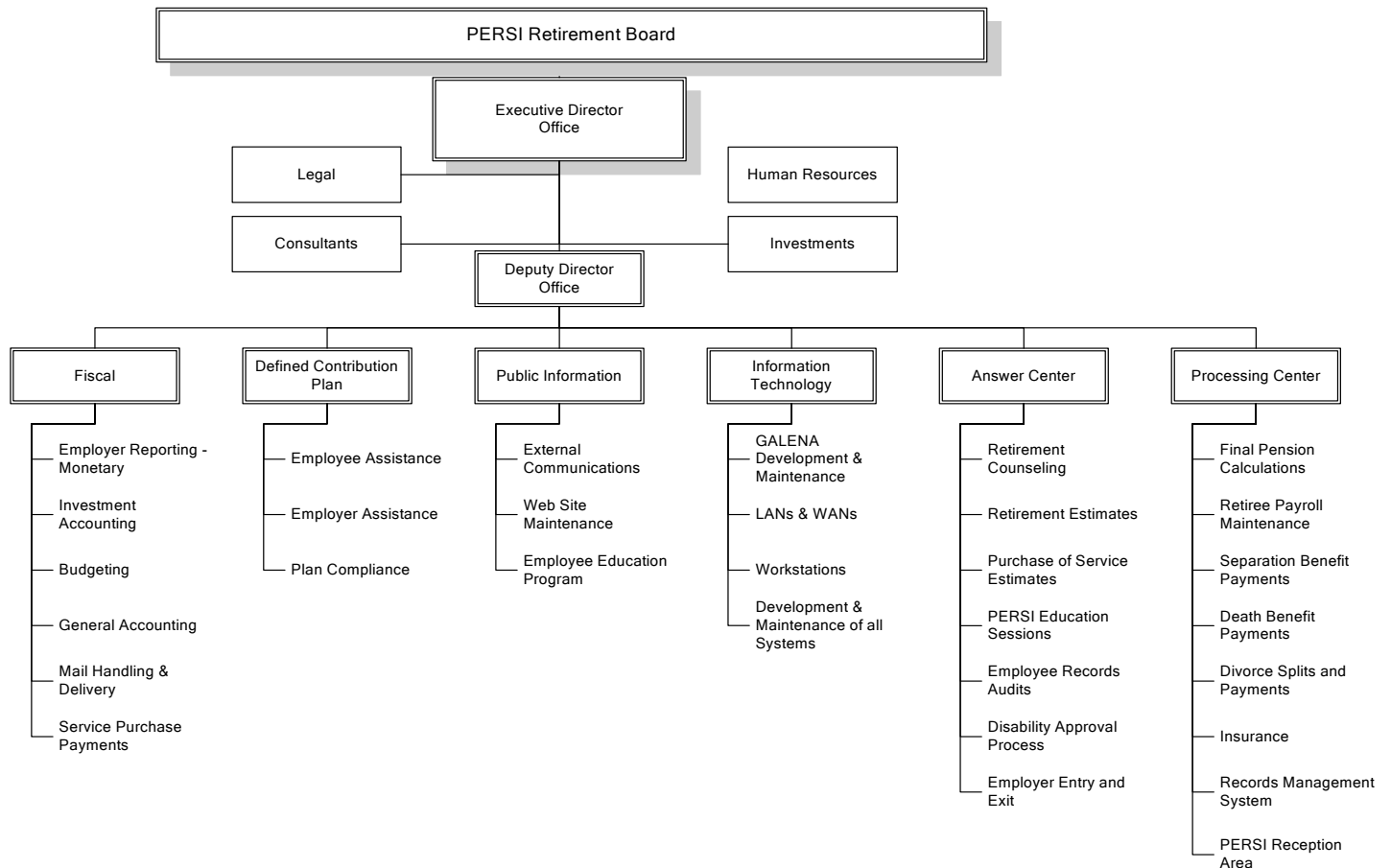
PERSI currently employs 63 staff members operating from the home office in Boise (58 employees) and the member services offices in Coeur d'Alene (2 employees) and Pocatello (3 employees).

Functional areas of PERSI currently include:

- Financial/Employer Reporting
- Defined Contribution Plan
- Public Information
- Information Technology
- PERSI Answer Center
- PERSI Processing Center



The organizational structure provided below may be subject to change depending on the results of the current Business Process Reengineering project, which began in April 2004.



Trends (External Factors)

A number of external factors influence the way in which PERSI operates. Federal and state legislation, IRS requirements, members, employers, legislators, the economy and its impact on investments, and a host of other external factors play a large role in the structure of the benefits and services offered by PERSI. Some of the major factors are explained here.

Growth and Diversity of PERSI Membership

Since 1965, PERSI has grown from a relatively small organization of eight staff members serving 5,404 active members employed by state agencies and 19 political subdivisions to a much larger and more “mature” retirement system including nearly 64,000 active members at more than 680 employers across the state. In addition, there are approximately 26,000 retirees and 19,000 inactive members. PERSI staff has grown to include 63 staff members in Boise, Coeur d’Alene, and Pocatello offices.



More specifically and as further explained in PERSI's most recent Annual Report for fiscal year 2004, the following growth occurred:

- *The number of active members increased from 62,385 to 63,385*
- *The number of retired members or annuitants receiving monthly allowances increased from 24,991 to 26,043*
- *The number of inactive members who have not been paid a separation benefit increased from 18,599 to 18,837*
- *Of these inactive members, 8,118 achieved vested eligibility in FY04*
- *Total membership in PERSI increased from 105,975 to 108,265.*

In the summer months, growth in the number of retirees is especially noticeable. Trends have shown that PERSI sees a 400% increase in the number of retirees in September when the majority of teachers retire. This translates into a substantial increase in workload for all PERSI employees and a strain on business processes during this time of each year.

In addition to these normal business cycles, over the next few years an increasing number of members will be eligible to retire as the "baby boomer" generation reaches retirement age. Included in this group are a substantial number of PERSI staff members who will also be eligible to retire. The loss of these staff members and the increase in eligible retirees will put a strain on the System as these experienced staff members are lost. As a result, PERSI has begun such initiatives as a web-based knowledge management system (Online Guideline) aimed at capturing "tribal knowledge" over the long term. The Online Guideline is an innovative method of capturing the knowledge and business rules accumulated over long periods of time into a searchable web-based tool for use by all employees. These and other tools will assist PERSI in meeting increasing service demands and the loss of experienced staff at the same time.

Participation in PERSI is mandatory by law for all eligible state and school district employees and available to other public employers and their employees on a contractual basis. Political subdivisions such as city and county governments, water, highway and health districts and many others have joined voluntarily. Other retirement systems have merged with PERSI, contributing both to the growth described above as well as diversifying membership. The mergers include:

- Teachers Retirement System (joined PERSI in 1967);
- Two Municipal police officer retirement funds (legislative amendments since 1965);
- Police officers hired since 1969; and
- Firefighter's Retirement Fund (joined PERSI in 1980)

As described in the Annual Report, "The merging of other retirement systems with PERSI, plus statutory requirements over the years, have produced both multiple and diverse member benefit



entitlements and administrative requirements.” These types of changes to PERSI as a result of outside forces will continue to affect PERSI in the future. Constantly changing retirement benefit needs in the public sector will cause more current and potential PERSI employers to consider their participation. PERSI will continually be required to adjust to these changes in our customer base and their associated needs.

Relevant State Legislation

Over the years, PERSI has been required to comply with myriad Internal Revenue Service and other federal and state laws and regulations. In the future, we anticipate that federal involvement in state pension plans will increase. With each new or amended rule or regulation, the administration of retirement entitlements becomes increasingly complex. The Economic Growth and Tax Relief Reconciliation Act (EGTTRA) legislation has had significant affects on the PERSI Base and Choice plans as well as the retirement planning for individual PERSI members.

While PERSI can attempt to formulate and follow a multi-year strategic plan, we are subject to changes and constraints from the Idaho Legislature in the form of additions or changes to the benefits we provide and to our available resources for our administrative expenses. Similarly, federal pension legislation will affect PERSI’s long-term plans.

The following section outlines legislation that was introduced during the most recent State legislative session, which adjourned in April 2005. A brief description of each is provided to demonstrate the impact on PERSI by these external forces. As a public sector entity, PERSI will likely continue to be challenged to respond to legislation in one way or another after most legislative sessions. The next session is scheduled to convene in January 2006.

New Legislation

- **Effect of Benefit Enhancement (SB 1005):** This bill clarifies the effect of “prospective only application” of benefit enhancements by amending section 59-1315, Idaho Code, to provide that a member’s benefits are determined based on the terms of the retirement plan as they exist on the date of the member’s last contribution as an active member of the plan. This means that benefit enhancements, unless otherwise provided, do not apply to members who are no longer active members when the enhancements are effective. This amendment clarifies the meaning of the existing language and is consistent with PERSI’s interpretation of the existing language as expressed in its rules governing retirement benefits and the manner in which the actuary values the impact of benefit enhancements.
- **Board Duties/Responsibilities (SB 1006).** This bill makes minor changes to the powers and duties of the Retirement Board and clarifies others by amending section 59-1305, Idaho Code, to provide statutory immunity not only to the mortgage committee as currently provided, but also to the investment committee; to clarify that the Retirement Board has authority and responsibility to obtain all services it deems appropriate to properly manage the retirement system consistent with its fiduciary duty, including but not limited to audit services; to extend the required time frame for the actuary’s general investigation of actuarial



tables from three (3) years to four (4) years to add management flexibility; and to clarify the Board's authority to adopt actuarial assumptions other than in table form.

- **Detention Officer Clarification (SB 1007):** This bill clarifies the scope of "police officer membership status" in PERSI by amending section 59-1303, Idaho Code, to specifically include "dispatchers" among the positions that are **not** eligible, and to include jailers as eligible only if they are POST certified. Also, the references to the positions of "POST training coordinators" and the references to "paramedics and paramedic trainees" is being changed to reference emergency medical technicians, consistent with current usage in other state statutes, rules, and policies.
- **Architect Board as PERSI Members (HB 138):** This bill amends section 54-312, Idaho Code, to change the compensation schedule for the Board of Architectural Examiners. This will allow members of the Board to enroll in PERSI.

Legislation Introduced But Not Passed This Session

The following legislation was introduced during the most recent State legislative session but had failed or was stalled in committee. It is possible that some of these issues may be revisited in the next legislative session scheduled to convene in January 2006.

- **Retiree Return to Work (SB 1008):** This bill amends Idaho Code 59-1356 to permit retirees under the PERSI system to return to full time work with a PERSI employer without a reduction in their benefit provided certain conditions are met. The retiree must have retired with an unreduced retirement benefit; can only return to an employer other than the employer from which they retired; they must have at least a six month break from their date of retirement to date of any re-employment with a PERSI employer and the employer is required to pay PERSI contributions as may be directed by the retirement Board.
- **Prosecutors as PERSI Members (HB 129):** County Prosecutors lead and advise the state, county and city law enforcement teams in our state jurisdictions, but are not included in the definition of law enforcement in PERSI law. This change to Idaho Code 59-1303 (3) to include Prosecutors and Deputy Prosecutors in the definition of law enforcement will place the Prosecutors and their Deputies in the same classification for retirement as all other law enforcement officials.

Effects of Investments on PERSI Trust Fund and Operations

Investments

PERSI is funded by a combination of investment earnings and employer and employee contributions. Like all retirement systems, the rise and fall of the stock market has had an impact on the PERSI trust fund over the past few years. Following national trends, the fund saw a decline from 2000 to mid 2003. For Fiscal Year 2004, however, the fund earned gross returns of 18.1%.



PERSI's objective is to minimize the effect of external influences when possible by diversifying among a wide range of asset classes and investment management styles, both domestically and internationally. With billions invested worldwide, PERSI does everything possible to manage risk to the fund given the asset allocation. However, the rise and fall of world markets is impossible to predict or control; therefore, PERSI is very much subject to the rise and fall of the markets.

Funding Levels

These investment ups and downs are reflected in funding levels. Until the mid 1990s, PERSI was faced with an unfunded actuarial liability. The rise of the financial markets of the late 1990s brought PERSI to a high of 116% funded in 2000, which allowed for Gain Sharing and the Choice Plan. However, since then we have endured the longest and deepest bear market since the 1930s. In June 2004, PERSI was 91.1% funded with an amortization period for this unfunded liability projected at 8.5 years considering contribution rate increases 7-1-04 to 7-1-05. In June 2002, the amortization period was 39 years. Because this amortization period was over the 25 year period required by Idaho Code, the Board initiated a series of contribution rate increases. As a response to being under funded, the following changes have been put into effect. Note that the combined impact of the rate increases listed below will be equivalent to 1997 rates, which were lowered during the strong investment market.

- Effective July 2004, member contribution rates increased from 5.86% of pay to 6.23% (Police/PERSI Firefighters rates increased from 7.21% to 7.65%);
- Also effective July 2004, employer contribution rates rose from 9.77% to 10.39% (Police/PERSI Firefighter employers rates rose from 10.01% to 10.63%);
- Rates were to increase again July 1, 2005 and 2006; however, due to significant positive investment returns for the year, the Board delayed implementation of the next two 1% increases until July 2006 and 2007.
- In FY03, and for the first time in 13 years, the Board granted only the 1% base Cost of Living Adjustment (COLA). However, in March 2005, because of such outstanding returns in FY04, the Board granted the 1% base, plus the 1.7% discretionary amount tied to the CPI and awarded a 0.8% retroactive amount, to bring retirees' purchasing power back in line with 100% purchasing power at the time of their retirement.

While many of the changes in benefits and investments are influenced directly by external forces, the business operations and customer service are indirectly affected. In some cases, direct changes are required to programs and business operations. For these reasons, this Strategic Plan and future plans must always consider the external forces that may require adjustments to PERSI operations.



ANALYSIS

Critical Issues

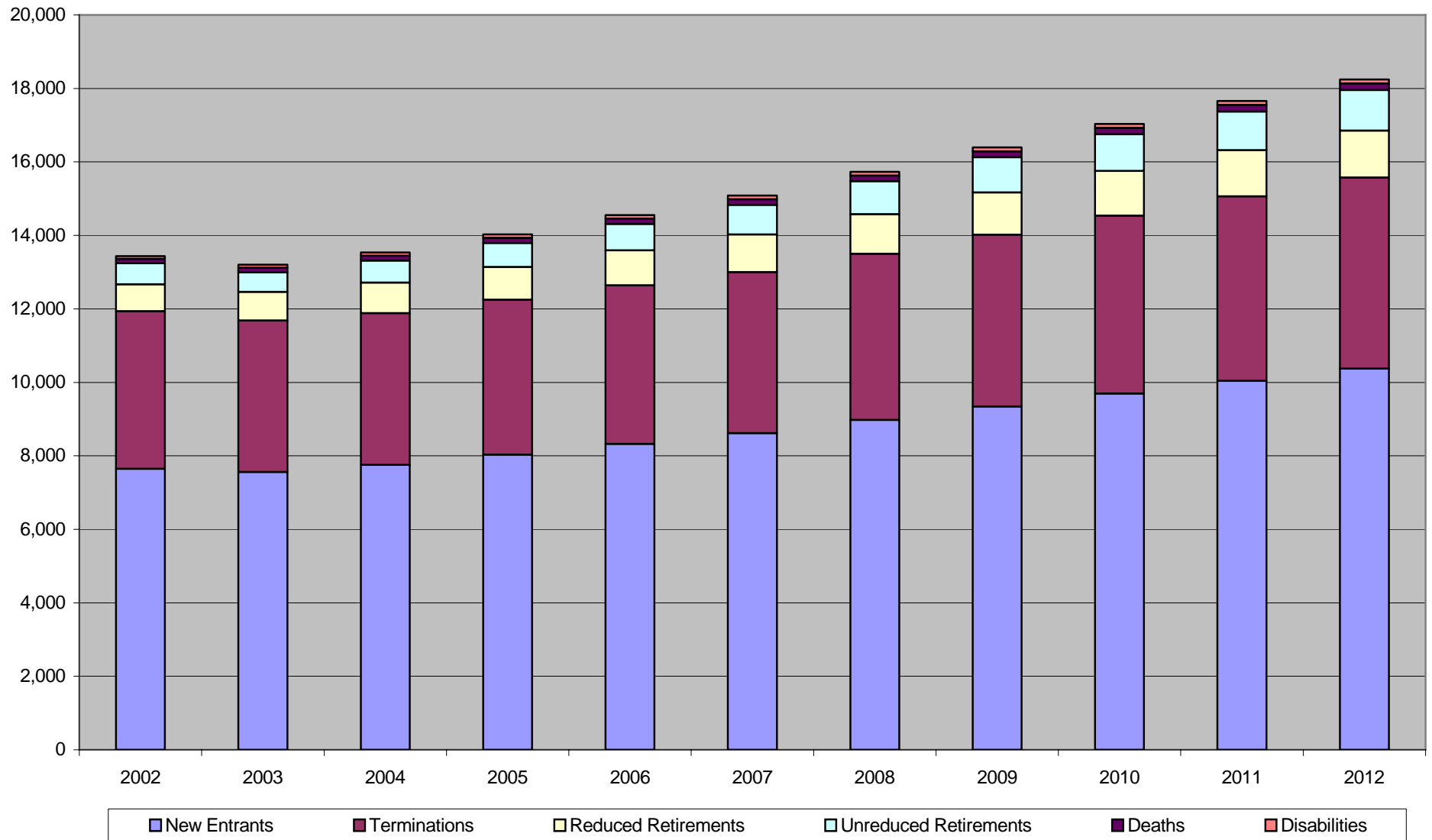
PERSI is doing better than ever in meeting its members' needs for timely service, but as with most organizations, it is always possible to do better. This Strategic Plan identifies steps that will be taken to improve PERSI's service delivery and operations efficiency even further. By building on the successes of the past, enhancements to existing resources, and use of more modern records management practices, PERSI plans to deliver a level of service that rivals the best of its peers in the public retirement arena.

PERSI is currently faced with a number of economic, demographic, and general pension plan pressures that will require attention to maintain current service levels. On the economic front, all public sector entities are constantly under pressure to deliver more services at less cost. PERSI is no different. Add the investment earnings pressure of the last several years and it is clear that PERSI cannot afford to support inefficient and/or ineffective service delivery methods.

Customers are requiring higher levels of service with each passing day. Customers expect more convenient methods of service and in many cases prefer self-service capabilities offered by Internet websites and interactive telephone voice response (IVR) systems that may be used 24 hours per day. PERSI members are no exception. Because many members have retirement assets in other financial institutions, there is a natural comparison of their PERSI services and the services provided by their other financial services companies. In many cases, the DC plan surpasses the service levels offered by the DB plan and most public employee retirement systems are working to close that gap. Along with technological advances comes the need for increased security for electronic files. Through online access, information is becoming more vulnerable to possible access. PERSI is committed to ensuring that information is as accessible as possible to our members, while maintaining strict proprietary security of that data.

Population trends are also having a significant impact on all retirement systems. The "baby boomer" segment of the population is reaching retirement age. This wave of increased workload to counsel, retire, and support this large population will add additional stress to the resources of these retirement systems including PERSI.

PERSI staff along with the help of our actuaries developed the following depiction of anticipated growth for the period 2002 to 2012.





Rapidly changing technology will also challenge PERSI's ability to deliver timely services if changes are not made soon. PERSI systems have generally kept pace with information technology in all but one key area. The current method of storing member documents in microfilm jackets represents a significant risk to PERSI operations. The use and maintenance of the microfilm jacket system is obsolete, labor-intensive, and inefficient. Few of these systems are still being used, and thus, parts and support for them are increasingly harder to find. In addition to the risk of obsolescence, the manual methods of the process leave considerable room for human error and back-up and disaster recovery methods are costly and labor-intensive.

Organizations typically become more inefficient over time unless there are periodic operational reviews followed by adjustments to keep pace with changing business environments and customer demands. PERSI had not conducted a complete organizational review in its 40-year history and had many symptoms of a maturing organization. Fragmented business processes that evolved over time and as short-term crises have come and gone are evident. The recent addition of a new pension administration system dramatically changed the tools used for delivering services to its members. This massive information systems change led to the need to analyze and adjust business processes to take advantage of the updated technology. PERSI is now in a position to take full advantage of the efficiencies available to it from the recent improvements. "Temporary" adjustments to work processes that were necessary to meet past demands still exist because they became the comfortable way to conduct business. Again, all these symptoms are common within organizations that have not done operational reviews and streamlined business processes.

The challenges described above will require PERSI to become more proactive in planning and project management in the coming years to keep pace with current service levels. It is for these reasons that PERSI has initiated its current improvement initiatives and this updated Strategic Plan.

Member/Employer Survey Results Overview

In 2003 PERSI began an on-going survey program to determine how our members and employers perceive our service levels. From their opinions, we will establish goals and strategies for improving services. A variety of different surveys are being conducted which range from broad scale attitudinal surveys to transaction-specific surveys. This section provides some highlights of our ongoing survey results.

Employer Transmittal Report Processes

- 90% of all employers surveyed were satisfied with PERSI's transmittal reporting process.
- 94% of all employers considered the submission of transmittal reports as *Easy*, and this sentiment was constant regardless of agency type.

Employer Information or Support Requests

- 45% of employers had made three or more information or service requests of PERSI in the past year. 85% of all information or service requests were made by phone.



- 95% of employers were satisfied with the way their most recent information or service request was handled, and 98% of employers considered the information provided by PERSI to be *Useful*.
- 76% of all information and service requests were handled with one contact with PERSI.

Employer Attitudes

- 94% of all employers surveyed were satisfied “Overall” with PERSI.
- 95% of employers agreed that “*PERSI effectively communicates transmittal reporting requirements to me.*”
- 88% of employers agreed that “*PERSI effectively communicates electronic fund transfer requirements to me.*”

Member Retirement Satisfaction Survey

- 97% of respondents were either *Somewhat satisfied* or *Very satisfied* with the retirement process.
- 48% of respondents received retirement counseling from a PERSI Member Representative, and 97% of those respondents who received retirement counseling were either *Somewhat satisfied* or *Very satisfied* with the service.
- 96% of respondents found the retirement application process to be either *Somewhat easy* or *Very easy*.
- 99% of those respondents found the information provided by PERSI to complete their retirement application to be *Somewhat useful* or *Very useful*.
- 37% of respondents attended a Pre-Retirement Workshop offered by PERSI staff, and 96% of those respondents who attended these workshops found the information provided to be *Somewhat useful* or *Very useful*.

CEM Results Overview

PERSI feels that it is important to provide a high level of customer service while carefully monitoring our administrative and investment expenses. We have been confident of our ability to do this; and now, by comparing our services and costs with those of similar US pension systems, we have evidence that PERSI does provide a high level of service at a reasonable cost. The following are findings presented in the February 2005 Cost Effectiveness Measurement, Inc. (CEM) report, comparing PERSI’s service levels and costs to those of similar pension funds:

- **PERSI Administrative Costs.** Less than one-half of one percent (0.50%) or 50 basis points of PERSI assets are used in the operation of both the PERSI Choice and Base plans. This includes all investment expenses including money management fees, consulting fees, trust, custody and record keeping, as well as all the costs associated with providing the direct services to PERSI customers, made up of salaries, operating expenses, and capital equipment. This also includes fees for education programs, actuarial valuations, outside auditors, legal counsel and other professional consulting services.



- **Total Cost per Active and Retired Members.** In 2004, PERSI's costs were \$72 per member with the average among the peer systems being \$68 per member.
- **Category Costs per Active and Retired Members In 2004:**
 - The largest portion of PERSI's budget (26%) was spent on Communications to Members. This compares to 28% for our peers. The review identified two areas leading to PERSI's higher costs: Our relatively small system size coupled with the high customer service levels we provide.
 - Some 28% of PERSI's budget is spent on Collections and Data Maintenance, compared to 14.5% for peer systems
 - Major Projects accounted for 3.5% of PERSI's budget, compared to 8.6% for peer systems.

Productivity/Workload is slightly above the peer average. In comparing the relative activity volumes and work among the systems, the survey shows PERSI's workload score is 138 compared to a peer score of 105. As noted above, our costs are only slightly over that of our peers on a comparative basis.

PERSI's total service score of 74 (which is a comprehensive measure of all the customer services we provide) is close to the peer average of 76. This simply means we are currently on par with our peers. It also shows however, with more directed efforts in this area, we have an excellent opportunity to improve this coming year.

In summary the data shows that again this year, PERSI is providing a greater level of service and work productivity at less cost than our peers. However, we did not improve significantly this past year and many of our peers are moving up the scale in comparison. This reinforces our need for current efforts at Business Process Reengineering. These efforts and moving toward more current technologies, will allow us to be far more efficient in the next two years without adding significant increased labor costs.

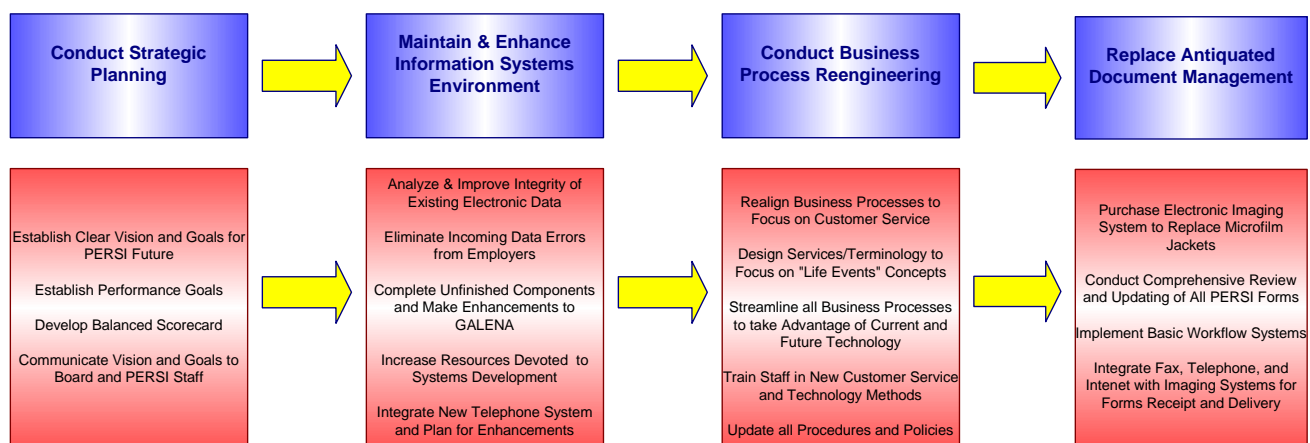
Achievements and Current Initiatives

With the completion of Galena, PERSI's Membership Information System, and our ongoing quality improvement efforts, PERSI has taken significant steps towards responding to members' needs for faster, more flexible and more accurate information. We are currently modifying our internal processes to take advantage of the new system, and are also expanding our Internet presence. In doing so, we have been able to improve both our customer services and information systems.

In the last year, significant benefits have begun to result as the organization put the systems into full use. A key piece of future service improvements relies on the maintenance and enhancement of the Galena system and the increased use of the electronic information management tools available through other supporting technologies.

While PERSI ranks well against its peer public employee retirement systems, there are several areas that we will focus on in the coming years to meet the current and future demands of the membership, employers, and the State of Idaho. Just as we have taken the lead in public pension plan innovation and provided improved service to our members by offering the unique Choice Plan 401(k), we are now working to make improvements to customer service and operating methods. We have already taken steps to keep pace with changing public employee retirement services and now plan to step up our efforts to keep pace with the tools needed to deliver these services.

To achieve these future improvements, PERSI has launched the four initiatives outlined in the graphic below.



The Strategic Planning initiative resulted in this updated Strategic Plan. In addition, the goals and strategies outlined in this plan will be linked to PERSI's new Balanced Scorecard.

The Maintain and Enhance Data and Information Systems Environment Initiative is ongoing.

The Business Process Reengineering Initiative began on April 1, 2004, and will be ongoing through at least FY07.

The Replacement of an obsolete microfilm system with a new electronic Document Management and Workflow System will begin in August 2005.

Each of these initiatives has been approved by PERSI's Board and funding has been approved and received by the Idaho Legislature.

Stakeholder and SWOT Analysis

As part of the Strategic Planning Initiative, PERSI Executive Staff held workshops to conduct a Stakeholder Analysis and a Strengths/Weaknesses/Opportunities/Threats (SWOT) Analysis. The following section documents the results of these analyses.



Stakeholder Analysis

To begin our Business Process Reengineering initiative, we began with a Stakeholder Analysis, asking ourselves “What have members, employers, Board Members, Legislature, PERSI Staff and others expressed as needs or wants in surveys, questionnaires or other methods of input?”

The wants and needs of the stakeholders were determined through:

- Meetings with Board members,
- Employer Surveys,
- Member Surveys,
- Daily Customer Interaction, and
- Staff Input.

In addition, PERSI Executive Staff and its consultant conducted a brainstorming session to ensure sufficient information and input was being considered. From these sessions, the following categories were determined:

- Customer Service,
- Education,
- Technology,
- Benefits/Plan Enhancement, and
- Administration and Support.

The Stakeholder Analysis included discussions over which of the categories act as a “driver” for other categories. For example, the need for better customer service may drive technological needs for data quality, timeliness, etc. That is, members want better service; one way to get better service is through better use of technology.

It was decided that, at this point, sufficient information had been gathered (through meetings with the Board, employer and member surveys, daily contact with staff, etc.) to ensure that the analysis is complete. Additional staff input will be needed as the group is further along in the development of goals and strategies.

The following table provides a summary of the needs and wants identified during these workshops according to the five categories listed above.

Stakeholder Analysis

Identified Wants / Needs of PERSI Stakeholders	Customer Service	Education	Technology	Benefits/Plan Enhancement	Administration and Support
Online Account Information	•		•		
Instant Estimates	•		•		
Easier Website	•	•	•		
Timeliness	•		•		
More One-On-One Service	•				
More Workshops	•	•			
More Publications	•	•			
The “Right” Answer / Better, More Accurate Data	•	•			
Training for Payroll Personnel	•	•			
Consistency of Policy	•				
Reach a “Live” Person on the Phone	•				
More Employer Assistance	•				
Better Notification for Employers	•				
Education on Both Plans		•			
More Financial Planning		•			
(Employer) Improved Transmittal Procedures		•	•		
Medical Insurance				•	
Long-term Care Insurance				•	
Law Changes				•	
Long-term Security (reassurance)					•
Adequate Staffing					•
Adequate Compensation					•
Cost Effectiveness					•
More Timely Reports					•



Strengths, Weaknesses, Opportunities, Threats Analysis (SWOT)

For each of the categories defined through the Stakeholder Analysis, participants identified PERSI's internal strengths and weaknesses as well as those external forces that could provide opportunities or act as threats. A condensed version of the results of this discussion is captured below.

Customer Service

In the Customer Service area, PERSI staff is our greatest strength. We have quality Member Service Representatives and we offer quality member and employer training. In general, we have a knowledgeable staff that provides timely service delivery. These strengths are evidenced by our positive scores on the CEM and customer satisfaction surveys.

Weaknesses include being able to meet the high demand of education for all members and employers who are interested. Also, while we currently have an excellent staff, we must continue to engage in succession planning to address what happens when our own staff begins to retire as many are quickly approaching retirement age. In addition, while we are working towards being able to provide many of our services online, this is not yet a reality.

The combination of our strengths and weakness identifies opportunities such as increasing technology and staffing resources to improve service. We can also look to our constituent groups, focus groups and various surveys for opportunities to improve. Those outside elements that will be challenges for us in the future include our growing membership, increasing member demands and any new federal and state legislation that may be introduced.

Education

In the Education area of the analysis, we discussed the education that we provide to members, employers, Board, and state legislators. Our strengths include: dynamic trainers, good statewide coverage for providing education to members and employers, a useful and comprehensive website, quality education for state legislators, and our stable and knowledgeable board. Although we provide our innovative Online Guideline to help train our staff, one weakness we identified is limited cross training and not enough staff available for training and education activities. In addition we need to provide increasing support to our employers.

Like for customer support our constituent groups offer an opportunity to improve, as well as increasing Defined Contribution Plan marketing and partnering with community education programs. The outside forces that will challenge us include the limited time that our employers have for on-site member meetings. The fact that Idaho is a rural state means that we have a challenge to get out and meet our members who live further away.

Technology

In the technology arena, we find strength in our new information system, Galena, our use of up-to-date desktop computers and corresponding desktop software and our knowledgeable Information Technology staff. As mentioned previously, we also have a quality website and



offer our staff consistent and immediate training information in the form of the Online Guideline. Finally, we offer electronic data transmission for our employers and are working on making all employer reporting electronic.

Weaknesses in this area have been discussed previously in this document. We are working to improve all data quality and move from microfilm technology to an imaging system. We are also working to increase our IT staff, increase technology education for all staff. In addition, we will continue to enhance and improve our Galena system.

Having received funding for our four initiatives, we have great opportunities to achieve these improvements. Continued funding and need to retain all IT staff will be our biggest challenges.

Benefits/Plan Enhancements

We are constantly looking to make plan improvements that meet the needs of our membership. Our most important strengths in this area are the abundance of good ideas and our staff's ability to enact plan changes when they do occur. PERSI continually monitors the public pension industry and member benefit expectations to identify needs for plan improvements. While PERSI may identify needed improvements, however, it cannot implement those improvements without legislative approval partnership.

Administration and Support

In the area of Administration and Support, PERSI focused on issues such as quality control, internal controls, performance measurement and benchmarks, and risk management. Again, our biggest strength in this area is the knowledge of the PERSI staff. Other strengths include our regular auditing processes and our participation in CEM studies.

At the same time, we see the need for continuing to enhance and improve our information systems and the implementation of agency-wide contingency or disaster planning. Additionally, we need to focus on more quantitative and qualitative measures of our performance.

Our most valuable opportunity for improvement in this area is our participation in CEM. Although the CEM questionnaire process is time consuming and the questions change from year to year, CEM offers PERSI the opportunity to compare itself to other public retirement systems and identifies how administration and support costs compare to industry standards.



GOALS FOR THE FUTURE

After analysis of survey results and the identification of critical issues, stakeholder wants and needs and the organization's strengths, weaknesses, opportunities and threats, PERSI developed goals for the future to address the issues raised through this examination. Executive Staff identified the following five main goal areas:

- Customer Service
- Education
- Technology
- Benefits/Plan Enhancements
- Agency Administration and Support

In each of these areas, PERSI developed specific goals with corresponding strategies for reaching those goals as listed below. Specific strategies, measurements, and targets are provided in detail in the Appendix.

Customer Service

- Improve quality and effectiveness of member customer service to achieve extraordinary customer satisfaction.
- Improve quality and effectiveness of employer customer service to achieve extraordinary customer satisfaction.
- Encourage and support staff participation in organizational change to achieve and maintain high levels of internal customer service.

Education

- Improve employer education program so employer knowledge and skills improve the quality of data transmitted from employers.
- Improve PERSI staff knowledge and skills while developing staff members who understand their professional missions and their management's expectations.
- Improve Member Education.

Technology

- Ensure that the PERSI and associated technology environment supports PERSI's business and customer service requirements.

Benefits / Plan Enhancements

- Maintain benefits provided by PERSI that meet the needs of the membership and are competitive with the benefits provided by comparable public retirement systems.

Agency Administration and Support

- Develop and maintain technology, procedures, and staff training for emergency business resumption and operations remains operational and current.
- Improve PERSI performance measurement and monitoring capabilities.
- Improve internal audit procedures and on-going review.
- Ensure continuity, organizational leadership and operational knowledge.



Balanced Scorecard

Because performance measurement is key to monitoring the success of this Strategic Plan, this process is formalized through the use of the Balanced Scorecard. In general, the Balanced Scorecard is a highly flexible tool that builds upon an organization's unique mission and strategy for achieving that mission through the development of concrete objectives and performance measures in four interrelated areas.

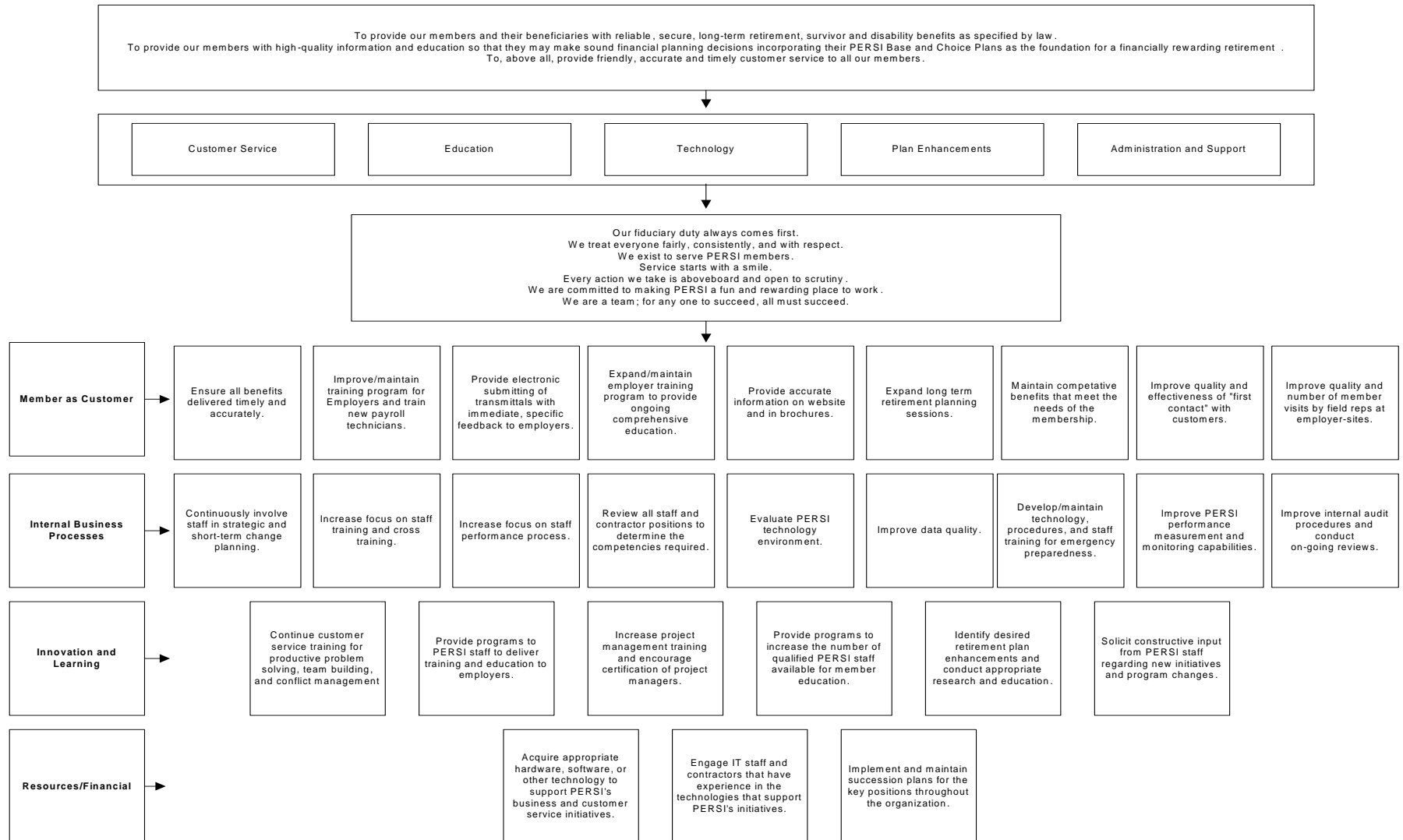
The Balanced Scorecard process encourages all staff to consider the organization through the following four lenses or "perspectives." These perspectives include: customer (or member), internal business processes and decisions, innovation and learning, and resources/financial. PERSI Executive Staff has developed the PERSI Balanced Scorecard, which is included on the following page. Our Balanced Scorecard provides a one-page snapshot of the material addressed in this Strategic Plan. The elements of our Balanced Scorecard (from top to bottom) include:

- The PERSI Mission Statement,
- Our Five Goal Areas
- PERSI Core Values
- Member as Customer Perspective (How does PERSI look to its members as customers?),
- Internal Business Processes Perspective (What are the key processes, decisions, actions, etc., that affect member satisfaction?)
- Innovation and Learning Perspective (What can PERSI do to continually improve for its members?)
- Resources/Financial Perspective (What financial considerations need to be taken into account – cost of providing service, resources needed to achieve goals, Board/legislative support, etc.)

Each of the "perspectives" contains our goal statements from the Goals, Strategies, Target and Reporting Source tables found in the Appendix. The Balanced Scorecard will be used in conjunction with those tables because each goal listed on the Scorecard has a specific corresponding strategy, target, and reporting area as listed in the table.



Public Employees Retirement System of Idaho (PERSI) Balanced Scorecard FY 2006-2009



NEXT STEPS: IMPLEMENTATION

As described in the introductory section, PERSI's planning and performance monitoring process can be graphically depicted as an on-going loop with PERSI's mission at its core. The loop begins with strategic planning and proceeds to setting performance goals, budgeting for implementing the plans, managing the operations, and measuring the performance of all the steps and their overall affect on the goals of the organization.



As PERSI begins to implement this Strategic Plan, we will constantly refer back to this model as we work to tie our yearly strategic planning and budgeting to our on-going operations management and performance measurement. Ultimately, the result of this plan will be achieving the goals that we have set forth in this document to best serve our members and employers and fulfill the PERSI Mission.



APPENDIX: GOALS, STRATEGIES, MEASUREMENTS, TARGETS AND REPORTING SOURCES

Customer Service				
Goals	Strategies	Measurements	Target/Date	Reporting Source
1. Improve quality and effectiveness of member customer service to achieve extraordinary customer satisfaction.	1. Improve quality and number of member visits by field reps at employer-sites to explain PERSI services and benefits.	Overall Member satisfaction level (“Somewhat Satisfied” or “Very Satisfied”)	66%	Member Attitude Survey (3 years)
		Overall Member satisfaction level (“Somewhat Satisfied” or “Very Satisfied”)	90%	Member Transactional Surveys (yearly)
	2. Improve quality and effectiveness of “first contact” with customers. a. Maintain and Improve Quality of Data / Knowledge of Staff. b. Improve Telephone Customer Service. c. Improve member self-service abilities (on-line account information). d. Improve document management and records access, especially as other technologies like imaging are implemented.	Member comfort level with knowledge of PERSI Base and Choice Plans (“Somewhat Comfortable” or “Very Comfortable”)	55%	Member Attitude Survey (3 year)
		Member comfort level with knowledge of PERSI Base and Choice Plans (“Somewhat Comfortable” or “Very Comfortable”)	Measure by 2006	Member Transactional Surveys (yearly) – needs to be added
		Number of calls that get through to a knowledgeable person on the first try.	Measure by 2006	CEM Report Manual Tallies now, but will get better data with ACD
		Average wait time to get to a knowledgeable person.	Measure by 2006	ACD Report
		Number of days it takes from date of first request to provide a <i>formal</i> written pension estimate.	10 days	CEM Report (Random sampling)
		Number of hours/days it takes to answer member or retiree calls/questions/requests (ex. Answer 90% of all calls within 2 working days of receipt – At department level: Requests for Refunds/Account Withdrawals/Sep. Benefits, cost to purchase service credit/buybacks.)).	Measure by 2005	To be determined
		Percentage of PERSI retirees who receive their first annuity within 31 days of their first annuity pay date.	95%	Galena/Workflow
		Increase hit count on web-site	By 10 %	Website
	3. Ensure all benefits delivered timely and accurately.	Percentage of employers' sites visited by PERSI field representatives each calendar year.	95%	Manual Count



Customer Service, cont.				
Goals	Strategies	Measurements	Target/Date	Reporting Source
2. Improve quality and effectiveness of employer customer service to achieve extraordinary customer satisfaction.	1. Improve/maintain training program for Employers and provide one-on-one training to new payroll technicians within first six months to increase effectiveness of PERSI reporting. 2. Provide electronic access for submitting transmittals that provides immediate and specific feedback to employers regarding data quality issues and allows employers to access and update related employer information such as contacts and addresses.	Employer satisfaction levels (“Satisfied” or “Very Satisfied”)	95%	Employer Attitude Survey (every 3 years)
		Employer satisfaction levels as gauged during Employer meetings	95%	Employer Meetings
		Employer satisfaction with Employer meetings	95%	Employer Meetings
		Percent of payroll technicians trained in first 6 months of hire.	Measure by 2005	To be determined
		Access and update privileges granted to Employers	By 12/2005	Access Granted
3. Encourage and support staff participation in organizational change to achieve and maintain high levels of internal customer service.	1. Solicit constructive input from PERSI staff regarding new initiatives and program changes. 2. Continue customer service training and provide staff the training and tools needed for productive problem solving, team-building, and conflict management.	Implement employee satisfaction survey.	Implement by 6/2006 (then every 2 years)	Implement Employee Survey
		Percentage of staff members attending one customer service training each year (new employees)	100% in 6 months	
		Percentage of staff members attending one customer service and one team-building/conflict management training each year (existing members)	25% yearly	

Education				
Goals	Strategies	Measures	Target/Date	Reporting Source
1. Improve employer education program so that employer knowledge and skills improve the quality of data transmitted from employers.	1. Expand and maintain an employer training program to provide comprehensive and ongoing employer education and training in specific issues such as class eligibility and other specific data reporting issues. 2. Provide train-the-trainer programs to increase the number of qualified PERSI staff available to deliver training and education to employers.	Employer Training Plan Implemented	By 12/2004	Plan Implemented
		Employer comfort level with knowledge of PERSI Base and Choice Plans ("Somewhat Comfortable" or "Very Comfortable")	75%	Employer Attitude Survey
		Develop and implement Employer Checklist to determine general knowledge	By 12/2004	Checklist Develop
		Average grade on checklist evaluation.	Measure in 2006	To be determined
		Percentage of Employers who agree that PERSI has effectively communicated all reporting requirements ("Somewhat Agree" and "Strongly Agree")	90%	Employer Attitude Survey
		Percentage of errors from electronic transmittal.	Measure by 2006	To be determined upon definition of "error"
2. Improve PERSI staff knowledge and skills while developing staff members who understand their professional missions and their management's expectations.	1. Increase focus on staff training and cross training to enhance staff customer service capabilities (internal and external). 2. Increase focus on staff performance process 3. Continuously involve staff in strategic and short-term change planning to increase their insight into future PERSI operations and their role in those operations. 4. Review all staff and contractor positions to determine the competencies required for the position and schedule appropriate education to assist the staff member in meeting those competencies. 5. Increase project management training and encourage certification of project managers by the Project Management Institute (PMI).	PERSI Employee Training/Cross Training Plan Implemented	By 12/2005	Training Plan Implemented
		Employee satisfaction level with "involvement" (Satisfied or Very Satisfied)	Implement by 6/2006 (then every 2 years)	Implement Employee Survey
		Revision of performance measurement system for 2007.	By 12/2006	Revise System
		Percentage of staff receiving "Meets expectations" on Performance Review	Measure by 2006	To be determined

Education, cont.				
Goals	Strategies	Measures	Target/Date	Reporting Source
3. Improve Member Education	1. Provide accurate information on website and in brochures to customers about all PERSI services. Review and update PERSI brochures. 2. Expand long term retirement planning sessions to current members so that members understand the differences and benefits of DB, DC, and Social Security plans and their personal retirement picture so that member satisfaction ratings are high. 3. Provide programs to increase the number of qualified PERSI staff available to deliver training and education to members	Percentage of information on website and in brochures reviewed and updated.	90% by July 1, 2005	Manual
		Percentage of members satisfied with Usefulness of available information (Satisfied Choice and Base)	66%	Member Attitude Survey
		Percentage of members satisfied with Usefulness of available information	90%	Member Transactional Surveys
		Percentage of current members attending PERSI retirement planning workshop (over time)	Measure in 2005	To be determined upon definition
		Percentage of workshop attendees who found workshop information "Somewhat Useful" or "Very Useful"	99%	Participant Workshop Evaluation
		Member Education Plan Implemented including 101, 202, 505, etc.	By 2007	Plan Implemented

Technology				
Goals	Strategies	Measures	Target	Reporting Source
1. Ensure that the PERSI and associated technology environment supports PERSI's business and customer service requirements.	1.Evaluate the PERSI and associated technology environment with regard to supporting PERSI's technology initiatives. 2.Acquire appropriate hardware, software, or other technology to support PERSI's business and customer service initiatives. 3.Engage IT staff and contractors that have experience in the technologies that support PERSI's initiatives. 4.Improve data quality a. Improve GEM process b. Improve audit process c. Implement Employer Portal System d. Review and implement a real-time employer reporting system	Perform a review of current capacity and estimate annual growth and predict storage requirements for imaging. (1)	Complete	Imaging RFP
		Install a SAN (Storage Area Network) to ensure adequate data storage (2)	12/2005	Installation
		Have an adequate number of trained technology staff to support PERSI's initiatives. (3).	12/2005	Trained Staff
		An improved process that ensures GEMS are correctly evaluated and prioritized (4a)	Complete	Tracker
		GEMS that are related to audits are completed (4b)	12/2005	Tracker
		Implement Employer portal system. (4C)	12/2005	System Implemented
		Implement real-time employer reporting system (4D)	12/2005	System Implemented



Benefits/Plan Enhancement				
Goals	Strategies	Measures	Target	Reporting
1. Respond to legislative inquiries to provide PERSI benefits that meet the needs of the membership and are competitive with the benefits provided by comparable public retirement systems.	1. Identify desired retirement plan enhancements through staff input, member surveys, employer visits, legislative contacts, and conduct appropriate research and education.	1. Survey members and employers as part of comprehensive attitude survey and/or specific surveys related to retirement plan benefits. 2. Maintain awareness of retirement benefits provided by other public retirement systems 3. Respond to legislative issues by researching possible solutions and plan design changes.	2006 Ask questions regarding retirement plan changes in next employee and employer attitude survey	Survey Documents

Agency Administration and Support				
Goals	Strategies	Measures	Target	Reporting
1. Develop and maintain technology, procedures, and staff training for emergency business resumption and operations remains operational and current.	1. Develop emergency readiness training and provide it to employees and contractors. 2. Emergency committee meets semi-annually to review plans, procedures, and to review maintenance of backup servers, systems etc.	PERSI staff and contractors complete emergency readiness training.	2 times a year	Manual
		Emergency committee meetings held.	2 times a year	Manual
		Perform regular disaster exercises by business area.	2 times a year	Manual
2. Improve PERSI performance measurement and monitoring capabilities	1. Identify performance measurement tools and data required by managers for improving operations and service delivery. 2. Ensure that systems and/or processes are available and in place to track performance measurement statistics needed for improving operations and benchmarking.	Percentage answers to CEM questions that can be generated using phone or Galena systems	Measure in 2006	To be determined
		Number of training sessions offered that focus on performance measurement and benchmarking.	Measure in 2006	To be determined
		Identification of performance measures/key indicators.	3/2006	Balanced Scorecard



Agency Administration and Support				
Goals	Strategies	Measures	Target	Reporting
	3. Utilize commercial performance measurement and benchmarking services to compare PERSI to other public employee retirement systems.	Periodic reporting to the Board on performance measures.	4 times a year	Board Reports

Agency Administration and Support, cont.				
Goals	Strategies	Measures	Target	Reporting
3. Improve internal audit procedures and on-going review.	1. Periodically conduct an audit related to the quality of internal controls in PERSI from a global agency viewpoint.	Internal Control Audit Completed	6/2006	Internal Control Audit Results Report
		Enhanced Internal Control Program Implemented	1/2006	To be determined
	2. Enhance on-going internal control program to improve control processes and regularly communicate status of controls with all staff.	Internal Controls Review Implemented	Annually	Internal Controls Review Results
		Level of employee knowledge of responsibility	Measure in 2006	To be determined
4. Ensure continuity, organizational leadership and operational knowledge.	1. Implement and maintain succession plans for the key positions throughout the organization.	Succession Plan Implemented	Measure in 2006	To be determined based on BPR Results
		Periodically update succession plan.	Measure in 2006	To be determined based on BPR Results